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DE RUEHSG #0618 1832132
ZNR UUUUU ZZH
R 022132Z JUL 09
FM AMEMBASSY SANTIAGO
TO RUEHC/SECSTATE WASHDC 5154
INFO RUEHAC/AMEMBASSY ASUNCION 4056
RUEHBO/AMEMBASSY BOGOTA 2469
RUEHBU/AMEMBASSY BUENOS AIRES 1570
RUEHBR/AMEMBASSY BRASILIA 0988
RUEHCV/AMEMBASSY CARACAS 2156
RUEHPE/AMEMBASSY LIMA 6268
RUEHMN/AMEMBASSY MONTEVIDEO 4474
RUEHQT/AMEMBASSY QUITO 2471
RUEAIIA/CIA WASHDC
RHEFDIA/DIA WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RUCPDOC/DEPT OF COMMERCE WASHDC

UNCLAS SANTIAGO 000618

SIPDIS

STATE FOR R/MR, I/PP, WHA/BSC, WHA/PDA, INR/IAA

E.O. 12958: N/A

TAGS: KMDR KPAO PGOV ECON PREL SNAR EFIN CI

SUBJECT: CHILE MEDIA REPORT - JULY 2

Leading Story

¶1. The prosecutor's office has made public an array of e-mails which reveal that pharmaceutical chains not only colluded amongst themselves to hike prices of medical products, but also with pharmaceutical laboratories, who suggested on their part to raise "base" prices of an array of medications.

Chile-U.S.

¶2. Chile is among the countries that are trying to get the U.S. Congress to eliminate a subsidy paid to U.S. cellulose and paper producers. The American producers take advantage of a legal vacuum and mix pulp with 0.01% diesel to become eligible for the subsidy which is intended to promote the use of alternative fuels. For 2009, the subsidy could amount to US\$6 billion dollars. But the American Forest & Paper Association (AF&PA) is increasing its pressure on Congress to retain the subsidy, claiming that there is no evidence that it distorts the market or violates World Trade Organization regulations, because it is not specific." The chairman of the Senate finance committee Chairman Max Baucus already submitted a draft bill to eliminate the subsidy (El Mercurio, conservative, influential newspaper-or-record, 7/2).

¶3. Chile will host the 2nd Finance Ministerial of the Americas and the Caribbean on Friday. World Bank President Robert Zoellick is among those who will attend. Guest star U.S. Secretary of the Treasury Tim Geithner will be unable to attend (La Segunda, afternoon daily, 7/1).

Honduras

¶4. The 72-hour deadline that the OAS gave Micheletti to put Zelaya back on office was suggested by Washington, which wants the incident resolved before Sunday, when President Obama is due to travel to Europe. The concern is that if this does not happen, Hugo Chavez could take the lead against Micheletti. Washington sources said that former Assistant Secretary Thomas Shannon is leading the U.S. actions with regard to Honduras and that he has the authority to instruct U.S. officials to negotiate Zelaya's return with a Honduran delegation. Reportedly, the condition for Zelaya's return is that he does not convoke a referendum to reform the constitution. Micheletti confirmed that a delegation traveled to Washington, but to explain the reasons for ousting Zelaya (La Tercera, conservative, independent, 7/2).

¶5. In an interview with El País, Micheletti said that Zelaya would

be arrested if he returns to Honduras, "Because he has several pending judicial accusations.... We tried by all means for Zelaya to realize that it was illegal to convoke the referendum.... The United States tried to mediate in this matter, I can attest to that" (La Tercera, 7/2).

SIMONS